

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 NEA-14 ISO-00 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-03 DODE-00 FPC-01 H-03 INR-11 INT-08

L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01 SCI-06

SP-03 SS-20 STR-08 TRSE-00 FRB-03 FEA-02 DRC-01

OPIC-12 XMB-07 /192 W

----- 109389

R 051012Z AUG 74

FM AMCONSUL ZAGREB

TO SECSTATE WASHDC 2610

USDOC WASHDC

INFO AMEMBASSY BELGRADE

AMEMBASSY BUDAPEST

AMEMBASSY KUWAIT

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY TRIPOLI

AMEMBASSY BUCHAREST

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E.O. 11652: N/A

TAGS: BFOL, ETRD, ENRG, CZ, HU, KU, LY, US, YO

SUBJECT: YUGOSLAV PIPELINE (FORMERLY PAN-ADRIA PIPELINE)

REFS: A) STATE 155968(NOTAL); B) ZAGREB A-31; C) ZAGREB 0060;

D) ZAGREB 0194(NOTAL)

LSUMMARY: IBRD HAS YUGOSLAV PIPELINE FEASIBILITY STUDY WHICH, ACCORDING ZAGREB SOURCE, MAY NEED REWORKING. YUGOSLAVS SEEKING NEGOTIATE WITH CZECHS AND HUNGARIANS EXTENSION OF CONTRACTED PIPELINE COMPLETION DATE FROM MID-1977 TO END-1977. FEASIBILITY STUDY PUTS TOTAL PIPELINE COST AT OVER \$500 MILLION. PIPELINE EXPECTED PROVIDE IMPORTANT OPPORTUNITIES FOR EXPORT U.S. TECHNOLOGY AND EQUIPMENT. END SUMMARY

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1. INA OFFICIAL HAS GIVEN ME CURRENT STATUS YUGOSLAV PIPELINE (FORMERLY PAN-ADRIA PIPELINE) PROJECT.
2. FEASIBILITY STUDY: PIPELINE FEASIBILITY STUDY PREPARED BY BRITISH IMEG COMPANY (REF C) SUBMITTED TO IBRD IN JUNE. SOURCE HAS RESERVATIONS ABOUT STUDY'S QUALITY, NOTING THAT IMEG WAS CHOICE INA'S PARTNERS (ENERGOINVEST AND NAFTAGAS) IN YUGOSLAV PIPELINE PROJECT. HE SUGGESTS IBRD MAY WANT STUDY REWORKED.
3. TIMETABLE: ACCORDING SOURCE, YUGOSLAV FEDERAL AUTHORITIES NEGOTIATING WITH CZECHS AND HUNGARIANS FOR EXTENSION OF CONTRACTED PIPELINE COMPLETION DATE (REFS A AND B) FROM MID-1977 TO DECEMBER 31, 1977. OFFICIAL SAID THIS NECESSARY SINCE 1974 EFFECTIVELY LOST AS CONSTRUCTION YEAR.
4. COST: FEASIBILITY STUDY PUTS COST OF PIPELINE AT OVER \$500 MILLION. THIS INCLUDES INTEREST.
5. EXTERNAL CREDITS: SOURCE, FORESEES FOLLOWING EXTERNAL CREDITS: IBRD \$30 TO \$50 MILLION; HUNGARY \$25 MILLION; CZECHOSLOVAKIA \$25 MILLION (CZECHS MAY WANT SHARE IN ACTUAL CONSTRUCTION WORK TO REPRESENT PART OF THIS); KUWAIT, PROVIDED IBRD PARTICIPATES IN FINANCING, \$90 MILLION (ONE-THIRD OF WHICH TO BE IN PIPE FROM KUWAIT); EXIM FINANCING FOR U.S. TECHNOLOGY AND EQUIPMENT; LIBYA CREDITS OF UNDETERMINED SIZE (DEVELOPMENT OF INA'S TIES WITH LIBYA UNDERSCORED BY FACT THAT DOZEN OR MORE YOUNG LIBYANS RECENTLY SEEN BY AMCONSUL EMPLOYEE WHILE REGISTERING AT ZAGREB OFFICE SECRETARIAT FOR INTERNAL AFFAIRS AS WORKERS WITH INA); AND CREDITS FROM OTHER EXTERNAL SUPPLIERS OF PIPELINE EQUIPMENT.
6. PIPELINE COMPANY: YUGOSLAV PIPELINE COMPANY FORMED BY PIPELINE CONSORTIUM SCHEDULED BEGIN OPERATIONS IN AUGUST. COMPANY'S DIRECTOR IS DR. ZVONKO PETRINOVIC (REF D). WHILE COMPANY'S HEADQUARTERS ESTABLISHED ON RIJEKA, STAFF WILL WORK MAINLY IN ZAGREB.
7. PROJECT ENGINEERING: INA, ENERGOINVEST, AND NAFTAGAS ENGINEERING STAFFS COMBINING ON PIPELINE PROJECT, WITH INA LIMITED OFFICIAL USE

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ENGINEERING ASSIGNED LEAD ROLE. RESOURCES OF MAJOR ZAGREB ENGINEERING ENTERPRISE INDUSTROPROJEKT ALSO ENGAGED. HEAD OF 500-MAN INDUSTROPROJEKT IS ENGINEER ANDJELKO BUBANJ WHO UNTIL SPRING 1974 WAS ALSO DIRECTOR GENERAL OF INA (REF C). (BUBANJ SUCCEEDED AT INA ON MAY 30 BY ENGINEER VLADIMIR LEMIC WHO WAS HEAD INA'S OIL AND GAS EXPLORATION AND EXTRACTION UNIT, INA-NAFTAPLIN.) YUGOSLAV PIPELINE COMPANY MUST ALSO ENGAGE FOREIGN ENGINEERING KNOW-HOW. THIS CONNECTION, SOURCE EMPHASIZES INA'S

INTEREST IN SERVICES BECHTEL OR OTHER HIGH QUALITY U.S. ENGINEERING OUTFIT, BUT UNDERLINES FRENCH AND BRITISH ACTIVELY SOLICITING THIS BUSINESS.

8. AMERICAN EQUIPMENT: SOURCE EXPECTS AMERICAN SUPPLIERS TO PROVIDE MUCH EQUIPMENT FOR PIPELINE, MENTIONING PUMPS, VALVES, ELECTRONIC MONITORING AND CONTROL DEVICES, PIPE, ETC. GIVEN LONG LEAD TIME REQUIRED FOR PIPE DELIVERIES, SOURCE EXPECTS PIPELINE COMPANY ACTION PLACE PIPE ORDERS SOON.

9. ADRIATIC TERMINAL: SOURCE CONFIDENT THAT PIPELINE'S ADRIATIC TERMINAL WILL BE AT OMISALJ ON ISLAND OF KRK. PORT TO HAVE END-TO-END BERTHING FOR THREE 350,000 TON TANKERS; STORAGE FACILITIES FOR 1.4 MILLION TONS PETROLEUM. HE CONSIDERS NARROW OMISALJ BAY, WITH 150 FOOT DEPTH, RELATIVELY EASY SEAL OFF IF OIL SPILLS.

10. PIPELINE TO MAINLAND: FROM KRK TO MAINLAND, PIPELINE WILL CROSS 150 FOOT DEEP, 1500 FOOT CHANNEL ON SEABED. ON OMISALJ-SISAK PIPELINE STRETCH, THERE WILL BE MAJOR PUMPING STATION AT OMISALJ AND ONE ON MAINLAND NEAR RIJEKA TO RAM CRUDE OVER NEARBY MOUNTAINS. NO TUNNELS FORESEEN.
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